

INITIAL STATEMENT OF REASONS:

(1) WORK PERMIT FEE INCREASE

(2) LICENSE RENEWAL REGULATION

Work Permit Fee increase: Title 4 California Code of Regulations (“CCR”) sections 12101 and 12122

The California Gambling Control Commission proposes to make permanent an emergency regulation, which raises the work permit fee from \$75 to \$250. Increasing the fee is necessary because the costs of processing the work permit application exceed the statutory maximum of \$250. See Attachment “A”—Work Permit Cost Recovery Calculation, dated August 5, 2003.

License Renewals and Fees: Title 4 CCR section 12250

Legal Background/Overview

Existing law requires persons applying to renew state gambling licenses and key employee licenses to pay an application fee of \$500, and to deposit a sum of money to cover costs incurred by the Division of Gambling Control in conducting background investigations. Existing law provides that associated licenses, such as a key employee license, are “endorsed on” the basic state gambling license certificate that is issued to the owner of the cardroom. Existing law provides that, unless the Commission determines otherwise, the renewal of the underlying owner’s gambling license has the effect of renewing all the associated licenses endorsed on the owner’s license.

In this regulation, the Commission exercises its discretion under the Gambling Control Act to require the applicants associated with an underlying owner’s license (such as key employees, corporate officers, shareholders, partners, etc.) to individually submit separate applications for renewal of their licenses. Currently, the submitted owner’s application materials contain full information on the owner, but not on associated applicants, such as shareholders. The completed individual applications mandated by this regulation will provide more information up front than is currently available, thus facilitating the background check process by

diminishing the need for state staff to request additional, necessary information following review of the application.

The objectives of the regulation are as follows: (1) to gather additional information concerning applicants by mandating separate, individual applications, (2) to ensure that the renewal process is initiated in a timely manner, (3) to obtain sufficient fees and deposits from applicants to fund essential administrative and investigative functions.

This Regulation

License applications are processed by the California Gambling Control Commission and the Division of Gambling Control of the California Department of Justice. Currently, under the default system outlined in Business and Professions Code section 19876(c), renewal of the underlying cardroom owner's license is "deemed to effectuate the renewal of every other gambling license endorsed thereon." For instance, if the license of a corporate shareholder is endorsed on the owner's license certificate issued to the corporation, then the shareholder need not individually submit a separate renewal application.

In order to effectively protect the public from criminal or corruptive influences, it is necessary to conduct more thorough checks into the backgrounds of each shareholder, corporate officer, etc., associated with a particular cardroom. This objective can be achieved by requiring each applicant associated with a particular cardroom owner to submit a separate, individual application. Such separate applications will include substantially more data concerning associated applicants than is currently available.

- Business and Professions Code section 19951 requires that each application for a license be accompanied by a nonrefundable fee of \$500.
- Review of applications includes a criminal background check, which sometimes requires substantial investigative work or analysis of complex legal questions, or both. Costs associated with background investigations are paid for by drawing upon a deposit submitted by each applicant pursuant to Business and Professions Code section 19867. Unearned portions of the deposit are refunded to the applicant.

- As part of the phased implementation of the Gambling Control Act, an annual renewal process for key employees (the largest single segment of the licensee population) will be initiated in January 2004. Licensees are required by Business and Professions Code section 19867(b) to submit applications 120 days prior to expiration of the licenses. In order to treat all renewal applicants similarly and to allow sufficient time in which to notify applicants, it was necessary to adopt the proposed regulation immediately on an emergency basis.

TECHNICAL, THEORETICAL, OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS

Except as noted above, the Commission did not rely upon any technical, theoretical, or empirical studies, reports, or documents in proposing the above-noted regulations.

REASONABLE ALTERNATIVES TO THE PROPOSED ACTIONS

The Commission has not identified any reasonable alternatives to the proposed actions. Alternatives have been identified, but not reasonable ones. For example, the Commission could have set the work permit at a level lower than \$250; however, setting the fee at a lower level would not recoup the state's costs in processing work permit applications.

REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS

The Commission has not identified any reasonable alternatives that would lessen the impact on small business.

Work Permit Cost Recovery Calculations

8/5/03

Activity Description	Type of Work Permit		
	Regular	Additional Costs	
		Temporary	Transfer
Log & Date Stamp	1	1	1
Application-Log/Copy/Mail	8	5	5
Make copies of checks for deposit	2	2	2
Transmit to Division	2	2	2
Prepare file and file documents	8	6	3
Mail	4	4	4
Minutes	25	20	17
Application Review	3	3	3
Prepare Documents/Ltr.	15	10	11
Prepare Memos	5		5
Key date Entry (into db)	5	5	5
Scan Photo	7		7
Pend Item	3	3	3
Summary	60		
Prepare Badge	10	10	10
Prepare Folder	7	5	
Prepare Documents	15	15	15
Minutes	130	51	59
Total Minutes	155	71	76
OT Time (in hours)	0.4167		0.2833
OT Rate (per hour)	23.38		23.38
OT Direct Cost	<u>\$ 9.74</u>		<u>\$ 6.62</u>
SSA Time (in hours)	2.1667	0.8500	0.9833
SSA Rate (per hour)	26.66	26.66	26.66
SSA Direct Cost	<u>\$ 57.76</u>	<u>\$ 22.66</u>	<u>\$ 26.21</u>
Direct Cost	<u>\$ 67.50</u>	<u>\$ 22.66</u>	<u>\$ 32.83</u>
Indirect Cost Rate	51.9%	51.9%	51.9%
Indirect Cost	<u>\$ 35.03</u>	<u>\$ 11.76</u>	<u>\$ 17.04</u>
Direct Cost	\$ 67.50	\$ 22.66	\$ 32.83
Indirect Cost	35.03	11.76	17.04
Full CGCC Cost Recovery	<u>\$ 102.53</u>	<u>\$ 34.42</u>	<u>\$ 49.87</u>
DOJ background evaluation	\$120.00		
DOJ Indirect costs	62.28		
Total Cost Recovery	\$284.81		